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FM AMEMBASSY ASHGABAT

TO RUEHC/SECSTATE WASHDC PRIORITY 2201

INFO RUCNCLS/ALL SOUTH AND CENTRAL ASIA COLLECTIVE PRIORITY

RUCNCIS/CIS COLLECTIVE PRIORITY

RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY

RUEHAK/AMEMBASSY ANKARA PRIORITY 4743

RUEHBJ/AMEMBASSY BEIJING PRIORITY 2541

RUEHKO/AMEMBASSY TOKYO PRIORITY 2406

RUEHIT/AMCONSUL ISTANBUL PRIORITY 2991

RHMFIS/CDR USCENTCOM MACDILL AFB FL PRIORITY

RUCPDOC/DEPT OF COMMERCE WASHDC PRIORITY

RHEBAAA/DEPT OF ENERGY WASHDC PRIORITY

RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

RUEHBS/USEU BRUSSELS PRIORITY

RHEHNSC/NSC WASHDC PRIORITY

RHEFDIA/DIA WASHDC PRIORITY

RUEAIIA/CIA WASHDC PRIORITY

RUEKJCS/JOINT STAFF WASHDC PRIORITY

RUEKJCS/SECDEF WASHDC PRIORITY

C O N F I D E N T I A L SECTION 01 OF 02 ASHGABAT 000117

SIPDIS

SCA/CEN; EEB

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ENERGY FOR EKIMOFF/THOMPSON

COMMERCE FOR PAUL HUEPER

E.O. 12958: DECL: 01/23/2019

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SUBJECT: SOUTH KOREAN COMPANIES LEARNING TO NAVIGATE

TURKMENISTAN'S TRICKY BUSINESS ENVIRONMENT

Classified By: Charge Richard M. Miles for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY: An Ashgabat-based South Korean diplomat shared some of his country's "lessons learned" about accessing the Turkmen market. While South Korea has made little progress in entering Turkmenistan's energy sector or construction industry, the signing of other lucrative deals in 2008 provided some valuable lessons on how to navigate here. Although he acknowledged that corruption is a factor that complicates business plans, Korean companies are finding ways to minimize its effects, by doing business "the Asian way," in developing personal relationships with potential clients. Signing USD 100 million worth of deals in mid-2008 appears to be the first indication that their way of doing business is finding a foothold. END SUMMARY.

SOUTH KOREAN PRESIDENTIAL VISIT, ENERGY GOALS

¶2. (C) A meeting with South Korean First Secretary, Song Jin Hua, on January 22 revealed that securing potential sources of energy is South Korea's first priority in its relationship with Turkmenistan. Song said that the South Korean president is planning to make an official visit to Turkmenistan later this year as part of a larger tour of Central Asia, during which he will also visit Kazakhstan and Uzbekistan. The focus of a meeting between the South Korean and Turkmen presidents would be cooperation in the oil and gas sector, he said.

¶3. (C) Song confirmed that the Korean National Oil Corporation (KNOC) had been trying for some time to procure geologic data for specific areas in the Caspian Sea for which the corporation wants to submit a proposal for development. Thus far, the Turkmen government has not provided any data to KNOC, although Song said that during the visit of South Korean Prime Minister, Han Seung-Soo, to Ashgabat in May 2008, the Turkmen government had suggested that South Korean companies submit proposals for some specific Caspian blocks. He said that a UK-based company that produced geologic data

for the Caspian had been in a contractual relationship with the Turkmen government until June 2008. The Turkmen government now possesses a significant amount of data for the sea bed, but has not been able to make any decisions regarding how to share or sell the data to interested parties.

¶4. (C) The South Korean Embassy has had no luck in procuring the data for the blocks in which KNOC is interested. Seeking other options, over the holidays Song traveled to Moscow and in cooperation with South Korean diplomats there, had pressed Russian government authorities to sell or share the data that had been gathered in the Caspian during the Soviet era. Song said his trip had been a failure. Although he would not say which blocks interested KNOC, he said other companies, including Russian Lukoil and an unnamed Middle East-based company were interested in the same blocks.

UNCOVERING THE SECRET TO MARKET ACCESS HERE

¶5. (C) The conversation then turned to South Korea's growing business interests here. Song said that companies like Hyundai have been enjoying more success of late, and others are interested in entering the market, in the energy sector as well as in profitable sectors like construction and infrastructure development. He described the construction market in particular as being very difficult to enter, because of the dominance of Turkish companies like Polimeks and the French company Bouygues. Even Russian construction

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companies seeking access to the construction market here claim to have experienced an uphill battle, according to Song.

¶6. (C) He opined that Polimeks has been successful because company managers have personal relationships with senior officials, and because they "give them things." Song claimed that Polimeks funded President Berdimuhamedov's trip to Beijing for the summer Olympics, and afterward may have also given them the architectural plan the company created for an elaborate Olympic village to be constructed in the center of Ashgabat. (NOTE: According to Turkmen press, Polimeks will be the dominant construction company on the project, although at least one other company will be involved on minor aspects of the project. Although the government has revealed details of the location, expanse and appearance of the village, no estimated cost figure has been mentioned. END NOTE.)

INVESTMENT IN THE PERSONAL RELATIONSHIP

¶7. (C) Song revealed that what had really helped Hyundai representatives get a foot in the door in Turkmenistan was their success in developing a relationship with counterparts like Minister of Motor Transport Gurbanmurat Hangulyev. In early 2008, having already met with Hangulyev and other Turkmen officials in a formal setting, Hyundai representatives invited Hangulyev on a trip to South Korea, during which there would be meetings and tours of Hyundai factories and facilities, as well as entertainment. Song said the trip was planned more as entertainment than business, and that South Koreans, understanding "the Asian mindset," gambled that Hangulyev would not only find the business aspect useful, but also would deeply enjoy the opportunity to "breathe freely" for a time.

¶8. (C) Hangulyev accepted the invitation, and Hyundai executives treated him like a royal tourist during his visit. The gamble apparently paid off, since the Turkmen government signed a business deal with South Korea during the prime minister's May visit that totaled \$100 million, some \$50 million of which was for the sale of Hyundai vehicles, according to Song. He added that South Korean representatives believed that Hangulyev was one of the "cleaner," meaning less corrupt, government officials here,

and that prospects for success were generally more likely with less corrupt interlocutors. Song opined that Western companies do not always appreciate the importance of developing personal relationships in this part of the world. He said the important business moments never happen during an official government meeting, but while counterparts are at a restaurant, bar, or other social setting.

¶9. (C) COMMENT: Song's comments about the importance of establishing personal rapport with a business counterpart underscore the differences in the way that Western companies market themselves and the way that Asian companies do.

Appealing to a potential client's sense of logic and efficiency in a professional setting may not resonate with the Turkmen as effectively as developing a personal relationship that builds trust and a reputation. His comments regarding the role of corruption in advancing business prospects would suggest that while some companies have found ways to make corruption work to their benefit, others would prefer to keep it to a minimum. END COMMENT.

MILES